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December 10, 2002

THOMAS F. MCFARLAND

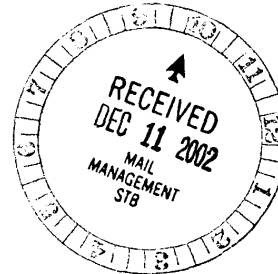
By fax to 202-565-9002.
w/confirmation by UPS overnight
mail (with 10 copies)

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 20423-0001

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Office of Proceedings

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Re: Docket No. AB-55 (Sub-No. 619X), CSX Transportation, Inc. -- Abandonment
Exemption -- in Allegan County, MI

Dear Mr. Williams:

Please refer to the offer of financial assistance filed in behalf of Hamilton Farm Bureau (Offeror) on December 9, 2002 in the above proceeding.

Enclosed is a copy of the consolidated financial statements of Hamilton Farm Bureau Cooperative, Inc. and subsidiaries for the years 2000 and 2001. Those statements are submitted as proof of Offeror's financial responsibility.

The original and ten copies of the financial statements follow by overnight mail. A copy of the financial statements is being sent to counsel for CSX Transportation, Inc. by overnight mail.

Very truly yours,

Tom McFarland

Thomas F. McFarland
Attorney for Offeror

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cc: Natalie Rosenberg) w/copy of financial statements by fax to 904-359-1248,
Counsel for CSXT) w/confirmation by UPS overnight mail

Mr. Robert Fenton) by fax to 616-751-5206
Hamilton Farm Bureau) (w/o statements)

TOM McFarland
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HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

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FERRIS, BUSSCHER & ZWIERS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Melvin D. Busscher, CPA
James L. Zwiers, CPA, MBA
William D. Borgman, CPA, MST
Douglas W. Rotman, CPA

February 14, 2002

Board of Directors
Hamilton Farm Bureau Cooperative, Inc.
Hamilton, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheet of Hamilton Farm Bureau Cooperative, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stock, patrons' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Hamilton Farm Bureau Cooperative, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ferris, Busscher & Zwiers

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HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2001 AND 2000

ASSETS		2001	2000
CURRENT ASSETS			
Cash and cash equivalents		\$ 566,143	\$ 622,753
Accounts receivable, trade (net of allowance for doubtful accounts of \$200,084 in 2001 and \$213,632 in 2000)		10,747,895	7,993,190
Inventories		11,261,581	11,575,612
Prepaid expenses and deposits		1,170,871	1,540,765
Deferred federal income tax		38,300	120,500
Current maturities of accounts and notes receivable, trade		<u>125,000</u>	<u>210,570</u>
 TOTAL CURRENT ASSETS		 <u>\$23,909,790</u>	 <u>\$22,063,390</u>
 INVESTMENTS		 <u>\$ 2,412,557</u>	 <u>\$ 2,400,905</u>
PROPERTY, PLANT AND EQUIPMENT			
Cost		\$26,394,144	\$26,242,183
Less accumulated depreciation		<u>13,810,769</u>	<u>12,943,090</u>
 TOTAL PROPERTY, PLANT AND EQUIPMENT		 <u>\$12,583,375</u>	 <u>\$13,299,093</u>
OTHER ASSETS			
Loan fees, net		\$ 84,825	\$ 150,800
Accounts and notes receivable, net of current maturities		<u>131,141</u>	<u>264,217</u>
 TOTAL OTHER ASSETS		 <u>\$ 215,966</u>	 <u>\$ 415,017</u>
 TOTAL ASSETS		 <u>\$39,121,688</u>	 <u>\$38,178,405</u>

See notes to consolidated financial statements

LIABILITIES AND EQUITY

	<u>2001</u>	<u>2000</u>
CURRENT LIABILITIES		
Checks written against future deposits	\$ 788,515	\$ -
Note payable	7,410,536	8,400,000
Accounts payable	4,136,693	4,660,595
Customer deposits	1,940,778	870,007
Grain liabilities	1,158,766	871,546
Employee obligations payable	480,551	361,498
Other accrued expenses	890,016	737,806
Current maturities of long-term debt	<u>1,022,000</u>	<u>1,733,600</u>
TOTAL CURRENT LIABILITIES	<u>\$17,827,855</u>	<u>\$17,635,052</u>
LONG-TERM DEBT		
Notes payable	\$13,265,765	\$12,810,000
Obligations under capital lease	<u>45,090</u>	<u>33,095</u>
	<u>\$13,310,855</u>	<u>\$12,843,095</u>
Less current maturities	<u>1,022,000</u>	<u>1,733,600</u>
TOTAL LONG-TERM DEBT	<u>\$12,288,855</u>	<u>\$11,109,495</u>
DEFERRED FEDERAL INCOME TAX	<u>\$ 81,500</u>	<u>\$ 89,000</u>
TOTAL LIABILITIES	<u>\$30,198,210</u>	<u>\$28,833,547</u>
EQUITY		
Stock	\$ 3,264,785	\$ 4,049,155
Patrons' equity	7,178,868	6,697,108
Notes receivable, stock	<u>(1,272,632)</u>	<u>(1,266,139)</u>
Total patrons' equity	\$ 9,171,021	\$ 9,480,124
Retained earnings (deficit)	<u>(247,543)</u>	<u>(135,266)</u>
TOTAL EQUITY	<u>\$ 8,923,478</u>	<u>\$ 9,344,858</u>
TOTAL LIABILITIES AND EQUITY	<u>\$39,121,688</u>	<u>\$38,178,405</u>

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCK
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Balance</u> <u>January 1</u>	<u>Amount</u> <u>Issued</u>
<u>Year Ended December 31, 2000</u>		
Class A common stock, (voting) par value \$500 per share		
Authorized 1,500 shares; 1,106 shares issued and outstanding	\$ 553,000	\$ 500
Class B common stock, (non-voting) par value \$500 per share		
Authorized 4,000 shares; 4,193 shares issued and outstanding	2,067,000	35,500
Preferred stock (non-voting)		
Series A		
Authorized 50,000 shares; 10,467 shares issued and outstanding	104,674	-
Series E		
Authorized 150,000 shares; 8,456 shares issued and outstanding	557,099	2,735
Class AA preferred stock (Hamilton Leasing, Inc.), (non-voting)		
par value \$100 per share (3% cumulative dividends)		
Authorized 8,000 shares; 7,596 shares issued and outstanding	<u>759,600</u>	<u>-</u>
	<u>\$4,041,373</u>	<u>\$ 38,735</u>
<u>Year Ended December 31, 2001</u>		
Class A common stock, (voting) par value \$500 per share		
Authorized 1,500 shares; 1,098 shares issued and outstanding	\$ 553,000	\$ 2,000
Class B common stock, (non-voting) par value \$500 per share		
Authorized 4,000 shares; 4,196 shares issued and outstanding	2,096,500	9,000
Preferred stock (non-voting)		
Series A		
Authorized 50,000 shares; 11,104 shares issued and outstanding	104,671	-
Series E		
Authorized 150,000 shares; 8,148 shares issued and outstanding	535,384	-
Class AA preferred stock (Hamilton Leasing, Inc.), (non-voting)		
par value \$100 per share (3% cumulative dividends)		
Authorized 8,000 shares; 7,596 shares issued and outstanding	<u>759,600</u>	<u>-</u>
	<u>\$4,049,155</u>	<u>\$ 11,000</u>

See notes to consolidated financial statements

<u>Amount</u>	<u>Amount</u>	<u>Balance</u>
<u>Redeemed</u>	<u>Transferred/ Eliminated</u>	<u>December 31</u>

\$ (500)	\$ -	\$ 553,000
----------	------	------------

(7,500)	1,500	2,096,500
---------	-------	-----------

(3)	-	104,671
-----	---	---------

(24,450)	-	535,384
----------	---	---------

-	-	759,600
---	---	---------

<u>\$ (32,453)</u>	<u>\$ 1,500</u>	<u>\$ 4,049,155</u>
--------------------	-----------------	---------------------

\$ (6,000)	\$ -	\$ 549,000
------------	------	------------

(7,500)	-	2,098,000
---------	---	-----------

(1,031)	6,803	110,443
---------	-------	---------

(28,042)	-	507,342
----------	---	---------

-	(759,600)	-
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<u>\$ (42,573)</u>	<u>\$ (752,797)</u>	<u>\$ 3,264,785</u>
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HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PATRONS' EQUITY
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Net</u> <u>Income (Loss)</u>	<u>Unallocated</u> <u>Surplus</u>
BALANCE - JANUARY 1, 2000	\$ 783,523	\$ 1,682,039
Transfer remaining 1999 net income for distribution	(783,523)	783,523
2000 net loss	(263,619)	-
Rebate, 1999 (net of amount previously recorded)	-	(337,661)
Dividends declared (Hamilton Leasing, Inc.)	-	(22,788)
Payment of Certificates of Equity	-	-
Transfer of Common stock to Certificates of Equity	-	-
Transfer prior surplus from Unallocated Surplus	-	(105,916)
BALANCE - DECEMBER 31, 2000	\$ (263,619)	\$ 1,999,197
Transfer remaining 2000 net loss for distribution	263,619	(263,619)
2001 net income	342,597	-
Dividends declared (Hamilton Leasing, Inc.)	-	(22,788)
Payment and transfers of Certificates of Equity	-	7,198
Transfer of Preferred stock from Certificates of Equity	-	-
Transfer prior surplus to Unallocated Surplus	-	137,812
Transfer Retained earnings to Unallocated Surplus	-	(24,451)
Transfer of Additional Paid-In Capital	-	-
BALANCE - DECEMBER 31, 2001	\$ 342,597	\$ 1,833,349

See notes to consolidated financial statements

Certificates of <u>Equity</u>	Additional Paid-In <u>Capital</u>	Total Patrons' <u>Equity</u>	Retained Earnings <u>(Deficit)</u>	Total (Memorandum <u>Only</u>)
\$4,672,590	\$ -	\$7,138,152	\$(135,266)	\$ 7,002,886
-	-	-	-	-
-	-	(263,619)	-	(263,619)
287,251	-	(50,410)	-	(50,410)
-	-	(22,788)	-	(22,788)
(142)	-	(142)	-	(142)
1,831	-	1,831	-	1,831
-	-	(105,916)	-	(105,916)
\$4,961,530	\$ -	\$6,697,108	\$(135,266)	\$ 6,561,842
-	-	-	-	-
-	-	342,597	-	342,597
-	-	(22,788)	-	(22,788)
(482,174)	-	(474,976)	-	(474,976)
(5,956)	-	(5,956)	-	(5,956)
(78)	-	137,734	-	137,734
-	-	(24,451)	24,451	-
-	529,600	529,600	(136,728)	392,872
<u>\$4,473,322</u>	<u>\$ 529,600</u>	<u>\$7,178,868</u>	<u>\$(247,543)</u>	<u>\$ 6,931,325</u>

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>		<u>2000</u>	
	<u>Amount</u>	<u>Percent of Sales</u>	<u>Amount</u>	
NET SALES	\$ 125,930,671	100.00	100.00	\$ 102,270,413
COST OF SALES	102,783,791	81.62	81.00	82,840,496
SERVICE AND OTHER INCOME (DIVISIONS)	<u>3,569,045</u>	<u>2.83</u>	<u>2.22</u>	<u>2,266,270</u>
GROSS PROFIT	\$ 26,715,925	21.21	21.21	\$ 21,696,187
OPERATING AND ADMINISTRATIVE EXPENSES	<u>24,316,099</u>	<u>19.31</u>	<u>19.83</u>	<u>20,284,363</u>
INCOME FROM OPERATIONS	\$ 2,399,826	1.90	1.38	\$ 1,411,824
OTHER INCOME (EXPENSE), NET	3,531	0.00	0.11	113,669
INTEREST EXPENSE	<u>(1,961,995)</u>	<u>(1.56)</u>	<u>(1.99)</u>	<u>(2,031,945)</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX	\$ 441,362	0.34	(0.50)	\$ (506,452)
FEDERAL INCOME TAX	<u>98,765</u>	<u>0.08</u>	<u>(0.24)</u>	<u>(242,833)</u>
NET INCOME (LOSS)	<u>\$ 342,597</u>	<u>0.26</u>	<u>(0.26)</u>	<u>\$ (263,619)</u>

See notes to consolidated financial statements

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 342,597	\$ (263,619)
Noncash items included in net income		
Depreciation	2,035,923	1,829,548
Equity in income of investee	(688)	(121)
Increase in investments	(174,399)	(2,195)
Loss (gain) on disposal of assets	3,019	(61,899)
Gain on disposal of investment	(10,496)	-
Deferred federal income tax	74,700	(63,500)
Change in operating assets and liabilities		
Increase in accounts receivable	(2,754,705)	(2,452,024)
Decrease (increase) in inventories	314,031	(2,529,188)
Decrease (increase) in prepaid and other assets	654,515	(433,964)
Increase in accounts payable and accrued liabilities	<u>1,893,867</u>	<u>1,202,589</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,378,364</u>	<u>\$ (2,774,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	\$ -	\$ 19,054
Purchase of investments	(56,058)	(22,528)
Proceeds from sale of equipment	138,803	82,473
Purchase of property, buildings and equipment		
Land and land improvements	(84,414)	(385,214)
Buildings	(107,961)	(415,621)
Equipment	<u>(1,269,663)</u>	<u>(2,310,465)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (1,379,293)</u>	<u>\$ (3,032,301)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings		
Long-term	\$ 4,233,971	\$ 4,926,667
Short-term, net	-	2,250,000
Debt reduction		
Long-term	(3,766,211)	(1,384,649)
Short-term, net	(989,464)	-
Payments for patrons' refunds, redemption of stock and redemption of certificates of equity, net of proceeds from sale of common stock	(533,977)	(159,991)
Cash acquired through sale of preferred stock	<u>-</u>	<u>2,735</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ (1,055,681)</u>	<u>\$ 5,634,762</u>

See notes to consolidated financial statements

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (56,610)	\$ (171,912)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>622,753</u>	<u>794,665</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 566,143</u>	<u>\$ 622,753</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Countrymark exchange

Investment in subsidiary acquired

Investment exchanged

Cash paid in transaction

\$ 230,000	\$ -
<u>173,942</u>	<u>-</u>
<u>\$ (56,058)</u>	<u>\$ -</u>

OTHER CASH FLOW INFORMATION

Cash paid during the year for:

Interest

Income taxes

\$ 2,076,273	\$ 1,992,137
-	10,000

See notes to consolidated financial statements

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

The information in the consolidated financial statements includes the accounts of the Company and its wholly owned subsidiaries; Hamilton Leasing, Inc. and Agricultural Innovations, LLC, all of which are Michigan entities. All significant intercompany balances and transactions have been eliminated in consolidation.

Hamilton Farm Bureau Cooperative, Inc. conducts the following activities from its Hamilton, Michigan location:

- Feed - Feed manufacturing and sales, as well as grain drying and storage
- Agronomy - Storage, sales and custom application
- Energy - Sales
- Eggs - Processing and sales
- Hardware - Sales
- Lumber - Sales
- Chevrolet - Sales and service
- Livestock - Production and sales

In addition, the Company operates out of facilities in the following locations:

- Allegan, Michigan - Feed, hardware, gas station and agronomy sales
- Plainwell, Michigan - Lumber and hardware sales
- Kalkaska, Michigan - Distribution of eggs and related products; feed, farm and garden supplies, lumber, and liquid propane sales
- Zeeland, Michigan - Feed, and other farm supplies
- Traverse City, Michigan - Feed and agronomy sales
- Holland, Michigan - Feed manufacturing and sales
- Martin, Michigan - Agronomy (purchased April, 2000)

Hamilton Leasing, Inc. - This Company was inactive at year-end.

Agricultural Innovations, LLC was created October 30, 2001. The Company's activities will include livestock production and marketing. As of December 31, 2001 this Company had not been funded.

The Company extends credit to many of its customers, most of whom are located within the West Michigan area. A large portion of the Company's receivables are from customers involved in farming or construction activities.

INVENTORIES

Grain inventories are valued at market price quoted to producers and vehicle inventories are carried at specific cost. All other inventories are stated at the lower of cost or market.

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are carried at cost and the provision for depreciation is computed generally on the straight-line method for financial reporting purposes and accelerated methods for tax purposes.

Equipment cost includes the costs of the initial setting of propane tanks at new propane customers. These costs include the supplies and labor involved in the delivery and set up of these tanks. These costs are being depreciated over the estimated useful life of the propane tanks.

CASH

The Company occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Included in cash and equivalents are the following:

	<u>2001</u>	<u>2000</u>
Margin deposits – represent deposits made for futures contracts and are recorded at fair market value.	<u>\$ 70,414</u>	<u>\$166,639</u>
Restricted cash – represents amounts in escrow which facilitates the repayment of debt.	<u>\$492,243</u>	<u>\$456,114</u>

For purposes of the statement of cash flows, cash includes all highly liquid investment instruments with original maturities of three months or less.

AMORTIZATION

Debt issue costs are being amortized over the life of the loan using the straight-line method.

ADVERTISING COSTS

The Company expenses all advertising costs as incurred. Advertising expense for 2001 and 2000 was \$505,694 and \$508,732, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company has provided for an allowance for doubtful accounts for the years ended December 31, 2001 and 2000, based on management's estimate of the collectibility of accounts and notes receivable.

NOTE 2 - GRAIN

The Company enters into price later agreements with farmers for future purchases of grain. These price later agreements include price later contracts and basis contracts. Delivery of grain and signing of the contract are simultaneous. The price later agreements have been recorded as purchases for financial statement presentation. The price later purchase contracts have been recorded at market price quoted to producers at fiscal year end. The liability for these price later agreements is included in grain liabilities on the balance sheet. The grain represented by these contracts is included in net Company owned and includes the following:

<u>Commodity</u>	<u>Bushels</u>	
	<u>2001</u>	<u>2000</u>
Corn	309,795	146,047
Wheat	12,440	22,139
Oats	-	236
Soybeans	75,809	60,264

Grain inventories on the Balance Sheet, as of December 31, 2001 are as follows:

	<u>Bushels</u>			
	<u>Corn</u>	<u>Wheat</u>	<u>Oats</u>	<u>Soybeans</u>
Quantity on hand	537,689	36,654	2,390	208,244
Grain at outside storage locations	-	-	-	-
Total quantity	<u>537,689</u>	<u>36,654</u>	<u>2,390</u>	<u>208,244</u>
Less storage obligations:				
Open storage	14,685	-	-	-
Warehouse receipts	-	-	-	16,364
Grain bank	<u>244,154</u>	-	-	-
Total storage obligations	<u>258,839</u>	-	-	<u>16,364</u>
Net company owned	<u>278,850</u>	<u>36,654</u>	<u>2,390</u>	<u>191,880</u>
Value at market quoted price	<u>\$ 541,334</u>	<u>\$ 97,149</u>	<u>\$ 3,466</u>	<u>\$ 777,114</u>

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 2 -- GRAIN (CONTINUED)

Grain inventories on the Balance Sheet, as of December 31, 2000 are as follows:

	<u>Bushels</u>			
	<u>Corn</u>	<u>Wheat</u>	<u>Oats</u>	<u>Soybeans</u>
Quantity on hand	341,519	24,259	16,418	127,297
Grain at outside storage locations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total quantity	<u>341,519</u>	<u>24,259</u>	<u>16,418</u>	<u>127,297</u>
Less storage obligations:				
Open storage	8,129	-	-	10,314
Warehouse receipts	-	-	-	-
Grain bank	<u>173,419</u>	<u>1,240</u>	<u>-</u>	<u>-</u>
Total storage obligations	<u>181,548</u>	<u>1,240</u>	<u>-</u>	<u>10,314</u>
Net company owned	<u>159,971</u>	<u>23,019</u>	<u>16,418</u>	<u>116,983</u>
Value at market quoted price	<u>\$ 327,779</u>	<u>\$ 53,404</u>	<u>\$16,418</u>	<u>\$ 561,518</u>

Storage obligations arise from grain, which is held in storage for others. The Company is liable for any deficiency of grade or shortage of quantity, which arises in connection with the grain held in storage.

The Company uses a combination of futures, options and forward contracts to hedge against the risk of price level changes in Company-owned grain inventory and other related contracts. These derivatives are effective economic hedges of the specific risks, although they are not designated and accounted for as hedging instruments. The Company maintains a net-hedged position in the grain market within open position limits authorized by its board of directors.

The Company's net position in the grain market at December 31, 2001 was as follows:

	<u>Bushels</u>			
	<u>Corn</u>	<u>Wheat</u>	<u>Oats</u>	<u>Soybeans</u>
Company owned grain	278,850	36,654	2,390	191,880
Add: Open purchase contracts --				
Cash	527,896	79,097	-	-
Futures	15,000	10,000	-	-
Less: Price later/basis contracts	309,795	12,440	-	75,809
Open sales contracts --				
Cash	264,682	-	-	15,739
Futures	<u>220,000</u>	<u>25,000</u>	<u>-</u>	<u>95,000</u>
Net position long	<u>27,269</u>	<u>88,311</u>	<u>2,390</u>	<u>5,332</u>

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 2 – GRAIN (CONTINUED)

The Company's net position in the grain market at December 31, 2000 was as follows:

	<u>Bushels</u>			
	<u>Corn</u>	<u>Wheat</u>	<u>Oats</u>	<u>Soybeans</u>
Company owned grain	159,971	23,019	16,418	116,983
Add: Open purchase contracts –				
Cash	539,584	12,009	1,903	3,657
Futures	85,000	-	-	-
Less: Price later/basis contracts	146,047	22,139	236	60,264
Open sales contracts –				
Cash	105,400	7,109	-	3,291
Futures	<u>375,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
Net position long (short)	<u>158,108</u>	<u>5,780</u>	<u>18,085</u>	<u>(7,915)</u>

NOTE 3 – ACCOUNTS AND NOTES RECEIVABLE

	<u>2001</u>	<u>2000</u>
Accounts and notes receivable, represent outstanding receivables that the Company has with various customers. Some of the notes are secured, some are not. The notes have various required payments and interest rates.	\$ 256,141	\$ 474,787
Less current maturities	<u>125,000</u>	<u>210,570</u>
LONG-TERM PORTION	<u>\$ 131,141</u>	<u>\$ 264,217</u>

NOTE 4 – INVESTMENTS

The following investments represent nonmarketable equity securities which are carried at cost plus allocated equities (which does not exceed estimated net realizable value):

	<u>2001</u>	<u>2000</u>
Co Bank	\$ 1,045,577	\$ 1,026,560
AG Processing, Inc.	998,828	949,643
Countrymark Cooperative, Inc.	100	174,103
TruServ Corporation	53,059	61,037
Land O Lakes	86,970	17,564
Farmers Commodities Corporation	27,883	24,712
Farmland Industries, Inc.	72,560	72,560
Countrymark Commodities, Inc. / Lakes Trading Group, Inc.	584	584

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 – INVESTMENTS (CONTINUED)

Southern States Cooperative	754	754
Agri Insurance Exchange	55,449	47,734
Frontier Cooperative	143	143
Voluntary Purchasing Groups, Inc.	473	473
Cenex Harvest States	48,870	4,945
Growmark, Inc.	<u>525</u>	<u>-</u>
Subtotal	\$ 2,391,775	\$ 2,380,812
Good News Products, Inc. (see below)	<u>20,782</u>	<u>20,093</u>
TOTAL INVESTMENTS	<u>\$ 2,412,557</u>	<u>\$ 2,400,905</u>

Hamilton Farm Bureau Cooperative, Inc. owns 25% of the outstanding stock of Good News Products, Inc. This investment has been recorded under the equity method.

NOTE 5 – NOTES RECEIVABLE, STOCK

Notes receivable, stock represent the unpaid portion of the par value of stock issued. Stockholders who do not pay in full for their stock upon becoming a stockholder, sign a 10 year non-interest bearing note which states that all Certificates of Equity will be applied first toward payment of the stockholder's note.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	<u>2001</u>	<u>2000</u>
Land	\$ 1,220,756	\$ 1,026,795
Land improvements	555,043	555,043
Buildings	7,530,084	7,495,294
Equipment	16,963,797	16,885,271
Equipment under capital lease	<u>124,464</u>	<u>279,780</u>
	<u>\$26,394,144</u>	<u>\$26,242,183</u>

NOTE 7 – NOTE PAYABLE

	<u>2001</u>	<u>2000</u>
Note payable represents a line of credit with Huntington National Bank of \$14,000,000 for 2001 and 2000. This note is secured by the assets of the Company and requires interest payments of 2.15% over Libor. At December 31, 2001, interest was at 4.312%.	<u>\$ 7,410,536</u>	<u>\$ 8,400,000</u>

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 8 - LONG-TERM DEBT

Note payable to Co Bank was secured by substantially all assets of the Company. This note was comprised of different loan amounts, each of which requires a certain interest rate. These interest rates are fixed, the rates range from 7.71% to 8.86% as of December 31, 2001 and 2000. This note was paid in full during 2001.

	<u>2001</u>	<u>2000</u>
	\$	\$ 3,000,000

Hamilton Farm Bureau has issued taxable notes enhanced by a direct pay letter of credit from Huntington National Bank. The notes require monthly payments of \$70,000 in 2001 and \$56,358 in 2000 to be placed in an escrow account with the payments being applied May 1. The bonds were sold in a floating rate mode, which is repriced weekly. The bonds' variable interest rate maximum is not to exceed 12%. At December 31, 2001, interest was at 2.09%.

	12,105,000	9,810,000
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Note payable to Huntington National Bank is secured by the assets of the Company. This note is to be used for equipment purchases up to \$1,000,000. This note requires interest payments at 2.15% over Libor. At December 31, 2001, interest was at 4.075%. This note matures December 28, 2006.

	1,000,000	-
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Notes payable GMAC are secured by vehicles owned by the Company. The notes require monthly payments of \$4,290 including interest at various rates. These notes mature in 2005.

	<u>160,765</u>	-
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TOTAL NOTES PAYABLE

	\$ 13,265,765	\$ 12,810,000
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Obligation under capital lease

	<u>45,090</u>	<u>33,095</u>
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TOTAL LONG-TERM DEBT

	<u>\$ 13,310,855</u>	<u>\$ 12,843,095</u>
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Huntington National Bank has various loan covenant requirements that Hamilton Farm Bureau Cooperative, Inc. must meet. The Company is in violation of one requirement; however, the bank has waived that requirement as of the year ended December 31, 2001.

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows:

	<u>2001</u>	<u>2000</u>
2001	\$ -	\$ 1,733,600
2002	1,022,000	1,745,500
2003	1,258,090	780,000
2004	1,292,000	1,825,000
2005	1,308,765	870,000
2006	900,000	-

NOTE 9 - CAPITAL LEASES

Details of the Company's capital leases are as follows:

<u>Item</u>	<u>Length</u>	<u>Annual Lease Payment</u>	<u>Interest Rate</u>	<u>Option</u>
Agronomy Equipment	60 Months	\$12,205	Variable	Renewal or residual balance Purchased for \$1 in 2000
Agronomy Equipment	60 Months	\$28,402	Variable	Renewal or residual balance Purchased for \$1 in 2000
Propane Tank	36 Months	Based on propane delivered		Purchase for \$1
Propane Tank	36 Months	Based on propane delivered		Purchase for \$1

The following is an analysis of the leased property under capital lease by classification:

	<u>2001</u>	<u>2000</u>
Equipment	\$ 124,464	\$ 76,064
Less accumulated Depreciation	<u>45,937</u>	<u>22,703</u>
	<u>\$ 78,527</u>	<u>\$ 53,361</u>

HAMILTON FARM BUREAU COÖPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 9 – CAPITAL LEASES (CONTINUED)

The following is a schedule by years of future minimum lease payments under capital lease:

	<u>2001</u>	<u>2000</u>
2001	\$ -	\$ 27,600
2002	35,000	5,495
2003	<u>10,090</u>	<u>-</u>
Total minimum lease payments	\$ 45,090	\$ 33,095
Less amount representing Interest	<u>-</u>	<u>-</u>
Present value of net minimum lease payments	<u>\$ 45,090</u>	<u>\$ 33,095</u>

NOTE 10 – OPERATING LEASES

Certain vehicles and equipment are being leased under operating leases as follows:

<u>Equipment</u>	<u>Expiration Date</u>	<u>Monthly Payments</u>	
		<u>2001</u>	<u>2000</u>
Semi-tractors and trailers	Various	\$ 28,162	\$ 24,299
Delivery vehicles	Various	1,594	7,151
Vehicles	Various	6,329	1,403
Agronomy equipment	Various	14,898	9,211
Forklifts	Various	1,951	1,511
Office equipment	Various	23,099	24,448
Sign	October, 2006	128	128
Propane tanks	Various	6,855	4,035
Land	Various	150	650

In addition, a mileage charge is being paid on the semi-tractors and certain delivery equipment. Rental and lease expenses for 2001 and 2000 were \$1,240,302 and \$924,794, respectively.

The following is a schedule of required future minimum lease payments that have remaining non-cancelable lease terms in excess of one year as of December 31, 2001 and 2000.

	<u>2001</u>	<u>2000</u>
2001	\$ -	\$ 810,307
2002	977,039	683,929
2003	778,577	581,555
2004	430,356	532,081
2005	257,712	181,192
2006	108,574	-
2007-2011	13,179	-

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 – OPERATING LEASES (CONTINUED)

The Company is also a lessor of certain real and personal property located in Zeeland, Michigan. The monthly lease requires payments of \$1,650. The Company is responsible for payment of real property taxes and must maintain real property insurance during the lease term. The lessee is responsible for personal property taxes and general liability insurance throughout its occupation and use of the leased property.

The Company is the lessor of two residential homes in Hamilton, Michigan. Each lease requires monthly payments of \$750. The Company is required to pay all utilities, insurance, maintenance and property taxes.

NOTE 11 – INCOME TAX

The Company, as a nonexempt Cooperative, is taxed on nonpatronage proceeds and any patronage proceeds not paid or allocated to patrons.

The deferred federal income tax results from the timing differences between reporting for financial purposes and tax purposes. These timing differences result from using accelerated depreciation for tax purposes and straight-line depreciation for book purposes, and from deducting certain amounts for financial reporting which are not yet deductible for tax purposes.

The provision for federal income taxes for the years ended December 31, 2001 and 2000 is comprised of the following:

	<u>2001</u>	<u>2000</u>
Federal income tax, current, net of credits	\$ 161,750	\$(189,333)
Tax benefits of net operating loss carryforward	(137,685)	-
Prepaid federal taxes	-	10,000
Federal income tax, deferred	<u>74,700</u>	<u>(63,500)</u>
TOTAL	<u>\$ 98,765</u>	<u>\$(242,833)</u>

For the year ended December 31, 2001, income tax expense contains a charge in lieu of federal income taxes that would have been required to be paid had the Company not been able to utilize an operating loss carryforward. The tax benefit for the year ended December 31, 2001, was \$137,685. The net operating loss carryforward was \$377,420 which was utilized in the current year.

NOTE 12 – PREFERRED STOCK

Hamilton Farm Bureau Cooperative, Inc. Series B preferred stockholders are entitled to receive dividends as declared by the Board of Directors. Dividends shall not exceed 8% per annum, shall be payable for the year which they are declared and shall not be cumulative. In the event of dissolution or liquidation of the Company, there shall be paid to holders of Series B preferred stock the issue price for such stock, plus declared but unpaid dividends before any payments to holders of common stock.

Hamilton Farm Bureau Cooperative, Inc. Series A preferred stockholders are entitled to receive dividends as declared by the Board of Directors. Dividends shall be payable for the year which they are declared and shall not be cumulative. In the event of dissolution or liquidation of the Company, there shall be paid to holders of Series A preferred stock the issue price for such stock, plus declared but unpaid dividends before any payments to holders of common stock.

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - PREFERRED STOCK (CONTINUED)

Hamilton Leasing, Inc. preferred stockholders are entitled to receive preferential and cumulative annual dividends at a rate of 3% per share as of December 31, 2001 and 2000. The stockholders are also entitled to a preference, in liquidation, in the amount of \$100 per share plus accrued and unpaid dividends. Preferred shares are not entitled to vote except in certain circumstances.

NOTE 13 - DEFINED BENEFIT PENSION TRUST

The Company has a defined benefit pension plan (hereinafter referred to as the Plan) covering all eligible employees. Eligible employees are those who are at least 21 years old, have a minimum of 1,000 hours of service per year, and a minimum of 12 months of service. Pension costs for the plan are funded in amounts, which equal or exceed regulatory requirements. For eligible participants, benefits are based on the employee's total compensation excluding bonuses.

Assumptions and net periodic pension cost are as follows:

	<u>2001</u>	<u>2000</u>
Discount rate	7.25%	7.25%
Compensation increase	4.00%	4.00%
Expected return on plan assets	7.25%	7.25%

Service cost	\$ 199,563	\$ 182,980
Interest cost	222,037	206,599
Actual return on plan assets	(339,074)	(85,664)
Other components, net	<u>118,799</u>	<u>(127,546)</u>
Net periodic pension cost	<u>\$ 201,325</u>	<u>\$ 176,369</u>

The following sets forth the funded status of the plan:

Vested benefits	\$ 2,818,702	\$ 2,589,689
Nonvested benefits	<u>99,846</u>	<u>73,912</u>
Accumulated benefit obligation	\$ 2,918,548	\$ 2,663,601
Effect of projected compensation increases	<u>468,057</u>	<u>479,534</u>

Projected benefit obligation	\$ 3,386,605	\$ 3,143,135
Plan assets at fair value (primarily corporate equity and debt securities)	<u>3,098,889</u>	<u>2,740,644</u>

Projected benefit obligation in excess of plan assets	\$ (287,716)	\$ (402,491)
Unrecognized transition amount	(54,742)	(71,588)
Unrecognized prior service cost	(876)	(964)
Unrecognized net loss	<u>140,112</u>	<u>286,251</u>
Net pension obligation	<u>\$ (203,222)</u>	<u>\$ (188,792)</u>

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - PROFIT-SHARING PLAN AND EMPLOYEE STOCK BONUS PLAN

The Company has a 401(k) profit-sharing plan covering all employees who are 19 years of age and have completed one year of service. Contributions are made annually at the discretion of management. The total profit-sharing plan contribution was \$227,173 and \$204,068 for 2001 and 2000, respectively.

The Company has an Employee Stock Bonus Plan that covers all employees who are 19 years of age and have completed one year of service. Contributions are made annually at the discretion of management. Contributions are based on each participant's eligible compensation (as determined for federal income tax purposes). The plan holds Hamilton Farm Bureau Series E preferred stock. As contributions are made to the plan, additional shares of stock are acquired. Terms of the plan require the Company to repurchase shares from participants who are no longer eligible to participate in the plan, and this repurchase is to be at fair market value. All shares held by the plan have been allocated to plan participants. Total shares held by the plan were 4,326 and 4,633 as of December 31, 2001 and 2000. The total Employee Stock Bonus Plan contribution was \$-0- for 2001 and 2000.

NOTE 15 - CONTINGENCIES

Hamilton Farm Bureau Cooperative, Inc. acts as a self-insurer for employees' health insurance and for workers' compensation insurance whereby it assumes limited liabilities with the excess liabilities assumed by underwriters. Accrued liabilities include the estimated amount of claims that had occurred but had not yet been paid as of the balance sheet date.

The Company has guaranteed a note payable for the housing costs of their pig operation for 36 months. The amount of debt guaranteed is \$-0- and \$37,500 for 2001 and 2000, respectively. The seller assigned its right to receive payment of the first \$12,500 of monthly housing costs and the Company makes the monthly payment of \$12,500 directly to the seller's mortgage lender. The note is secured by buildings and management has indicated that it is doubtful that a liability will be incurred, therefore, nothing has been recorded on these financial statements.

The Company has entered into a financing agreement with Cooperative Finance Association, Inc. to help their agronomy customers receive financing. The terms are that the loans may not exceed two million dollars with a maximum guarantee by Hamilton Farm Bureau Cooperative, Inc. not to exceed \$800,000. Management has indicated that it is doubtful that a liability will be incurred, therefore, nothing has been recorded on the financial statements.

NOTE 16 - ENVIRONMENTAL MATTERS

In the ordinary course of business, the Company is subject to the risk that the handling of petroleum and agronomy products may cause environmental contamination, which may require remediation under federal and state environmental laws and regulations. It is the Company's policy to recognize environmental liabilities when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Management currently is not aware of the existence of any significant environmental contamination requiring remediation; accordingly, no such liability has been recorded in the accompanying financial statements.

HAMILTON FARM BUREAU COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 – ACQUISITION

In April, 2000, the Company acquired the Martin location of Terra Industries, Inc. in a business combination accounted for as a purchase. Martin is primarily engaged in the storage, sale and custom application of agronomy products. The results of operations of Martin are included in the accompanying financial statements since the date of acquisition. The total cost of the acquisition was \$1,013,822.

NOTE 18 – SUBSEQUENT EVENTS

In January 2002 the Allegan location was closed.

NOTE 19 – RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.